



# FUNDING WATCH

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## The Search for Public Health Funding: De-Mystifying the Process (*Revised*)

(Part 3 of a Series)

This is the third part of a multi-part series on funding research. Currently, the Texas Department of Health Funding Information Center is exploring the “phenomenon” of funding research. The series is intended to de-mystify the funding research process and guide you on your quest for funding. We will share with you our experiences and insights. This month’s issue focuses on foundation funding research. Previous months focused on federal and state funding research. The final installation will appear in next month’s issue and will cover corporate funding research.

Several reference publications will be mentioned during the course of this series, most of which can be found at the TDH Funding Information Center. The Funding Information Center is located within the agency’s Library, Tower Building, Room T-404 (4th floor), 1100 W. 49th Street, Austin. Our hours are Monday-Friday, 7:30-6:00.

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### Part 3: Foundation Funding Research

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By and large, foundations are created to aid social, educational, religious, or other charitable activities that are deemed to fulfill their personal philosophies. They may be called a foundation, trust or fund, depending on how it was established. In Texas, there are over 3,290 private and community foundations. There are even more foundations located throughout the United States that will give or have given to organizations in Texas.

Foundations are required to give away at least five percent of their assets each year (and most do not exceed that percentage).

Foundation funding differs from federal and state funding in the following ways:

- > Foundations do not generally issue requests for proposals for specific funding initiatives (exceptions include the Robert Wood Johnson Foundation and the Pediatric AIDS Foundation).
- > Foundation funding requires significantly more research to match your funding needs with their giving interests and their geographic giving preferences.
- > The deadlines for proposal submission vary among foundations. This adds to the research process but may also make foundations a more flexible source of funding than government sources.



- > Foundations can be a good source of initial funding for new programs (seed money) that may not yet have the track record to gain governmental support. In fact, most foundations prefer to initiate new programs rather than to support programs that have been cut by the government. The best scenario is multiple funding from both foundations (private) and government (public) sources.
- > For tax purposes, foundation funding is usually limited to 501(c)(3) nonprofit organizations. A small number of foundations may also provide grants to individuals for scholarships, research, etc. Units of government may also be eligible to apply among some foundations.
- > Foundation grants have fewer reporting requirements than federal or state grants (many awardees agree this is a major advantage).
- > The size of foundation grants may be limited compared with federal or even state grants. It may be necessary to secure funding from several foundations.
- > Foundations may be less likely to renew grants than federal sources which may offer 3-5 years of project funding, contingent upon performance.
- > Foundations have considerable latitude in making their funding decisions and the decision-making process may remain a mystery for applicants.

### **Types of Foundations**

Generally, foundations may be classified as one of the following types:

◆ **Independent Foundations.** Funds for private or independent foundations are generally from a single source such as an individual, family, or group of individuals. Grantmaking decisions may be made by the funders or agents thereof, by an independent board of directors or trustees, or by a bank or trust. Approximately 70 percent of independent foundations limit their gifts to their local area. These foundations are usually named after their founder or major donor, e.g., the Hearst (William Randolph) Foundation or the Robert Wood Johnson Foundation. There are different types of independent foundations - national general purpose, special purpose, and family foundations.

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This four-part publication can be downloaded from the FIC website at: <http://www.tdh.state.tx.us/fic/pubs.htm>. Copies can also be requested using the contact information above.

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- > The national general purpose foundations fund any cause that will have a positive broad impact in the United States. These foundations have many funding interests.
- > Special purpose foundations give primarily in one subject area and represent a significant amount of funding in that particular area. The Pediatric AIDS Foundation is an example of a special foundation because it funds only proposals that deal with pediatric AIDS issues.
- > Family foundations represent the values of the family members who have contributed to or founded the foundation. Some family foundations have boards but the funding preferences of those who make contributions usually prevails. Personal connections to family members may be especially important if you decide to approach a family foundation. Most give close to home. The Meadows Foundation in Dallas is a family foundation that gives only in Texas.

♦ **Community Foundations.** Community foundations are considered public charities by the Internal Revenue Service. They are publicly sponsored to aid causes in a specific county, city, town or rural area. There are at least 21 community foundations in Texas. The name is usually a give-away, e.g., El Paso Community Foundation or San Antonio Area Foundation. The foundations receive tax-deductible donations from several donors unlike independent foundations, including individuals, corporations, and other foundations. Grant-making decisions are made by a board of directors representing groups in the community.

♦ **Corporate or Company-Sponsored Foundations.** This type of foundation is funded from endowment and annual contributions from a profit-making company. It operates independently of the company but not without regard of the company's business interests. These foundations are legally distinct from contributions programs administered within the company. Decisions are made by a board of directors that may or may not include individuals with no corporate affiliation. Similar to community foundations, corporate foundations usually give in geographic locations where

they are located, have major markets, or their employees live. This type of foundation will be discussed in the final part of this series, "Corporate Funding Research."

♦ **Operating Foundations.** These foundations are established for the support and operation of research, social, or other programs determined by its governing body. An example of an operating foundation is that of the university who sets up an endowment to fund university activities and services. Most operating foundations give few or no grants to outside organizations and, therefore, would be unlikely candidates for your proposal and are omitted from most foundation directories.

In addition to the characteristics listed above, foundations may be staffed or unstaffed. According to David G. Bauer's *The "How To" Grants Manual* (©1999), there are approximately 1,750,000 corporations and over 41,588 foundations that award grants. It is estimated that fewer than 1,000 of the foundations have an office, and there are approximately 3,200 staff members that serve all 41,588+ foundations. Knowing if a foundation is staffed or unstaffed will help you to understand their grant processes better.

If a foundation is considered as unstaffed, protocol may be deemed more important than the issue. Contact with these organizations is made on a personal, peer level and therefore, may be more difficult to obtain. (See "*Personal Contacts*," page 9.) Often, nonpaid officers, directors, or trustees are acknowledging the receipt of materials, reviewing the proposals, and notifying the grant recipients. The grant process could take longer but the deadlines may be more flexible.

Staffed foundations range in size from part-time clerical staff to full-time multi-office organizations. Those with staff members tend to be the larger foundations who are in the "business" of philanthropy. Staffed foundations tend to produce informational materials such as annual reports, brochures, application guidelines, and newsletters. (See "*Foundation Publications*," page 8.) Smaller staffed foundations may choose to invest their funds in grants rather than publications. Competition is very high for these grants but the selection process is more objective.

## **Importance of Preparation and Research**

In seeking foundation funding, thorough research is essential. You should start by analyzing your organization and proposed program to determine the need you plan to address, the audience you plan on serving, and the amount and type of support you need and when you need it. The purpose of the research process is to narrow your list of "prospects" to those foundations that are most likely to fund your type of organization and funding need in your geographic area. Do not try to force a match if none exists... you will be wasting your time and theirs.

Document your research as you proceed, noting sources of information and dates. Create your own "prospect" files that include research material and correspondence. Those who follow in your steps will be most appreciative. Because numerous people may be involved in the research process during the course of a nonprofit's existence, keeping accurate records is essential. You should keep the following questions in mind as you seek potential funders:

Do the foundation's interests include the specific type of service or program you are proposing?

Does it seem likely that the foundation will make a grant in your geographic area?

Does the amount of money you are requesting fit within the foundation's typical grant range?

Does the foundation have a policy prohibiting grants for the type of support you are requesting?

Does the foundation prefer to make grants to cover the full cost of a project or does it favor projects where other foundations or funding sources share the cost?

What types of organizations does the foundation tend to support?

Does the foundation have specific application deadlines and procedures, or does its board review proposals continuously?

Once you have identified potential funders, be sure to study any publications issued by that foundation before submitting a proposal. Because a foundation's priorities may change with societal changes, it is important to use the most up-to-date information available. While the information available in the directories is a good foundation (no pun intended) it is at least one year out of date since the majority of the data comes from the foundations' tax forms. You should always get the most current information directly from the foundation.

It is not wise to send mass mailings of your proposal to foundations that have not been fully researched. Foundations quickly spot this approach and your proposal (and organization) may never be seriously considered. If you do your homework and explain to the foundation why you think your project matches their interests, your chances of funding success will greatly increase.

## **Foundation Directories**

Foundation directories are your best starting point for narrowing your search for funding. The information included in the following directories is mostly derived from the Internal Revenue Service 990-PF forms filed by the foundations annually. Supplemental information can be found in annual reports and other publications available from the foundations. The list is arranged from the most general directories to more specific subject and geographic directories. All the directories listed are part of the TDH Funding Information Center's reference collection and are available for use by the public between 8:00-5:00, Monday-Friday. Many of these publications are also a part of the Foundation Center's 12 cooperating collections in Texas listed on page 10. These directories are expensive and not recommended for individual purchase, but the pricing information is listed below and the addresses for the major publishers can be found on page 9.

### *Guide to U.S. Foundations, Their Trustees, Officers, and Donors*

This annual three-volume set is the only published directory that lists information on all active grantmaking foundations. It lists all four types of foundations including operating foundations. Any foundation that gave at least \$1 during the latest fiscal reporting period

(1998-2001) is included. Arranged by state, the information is brief, but includes the address, financial data, geographical limitations, application information, and officers/directors or trustees for each of more than 58,536 foundations. This is a good source for networking and personal contacts. (\$295)

*The Foundation Directory,*  
*The Foundation Directory Part 2 and*  
*Supplement*

These three directories are published by The Foundation Center annually and offer useful information on 20,000 independent, corporate, and community foundations. Operating foundations are not listed. The 2002 edition of the *Foundation Directory* (\$215) lists the 10,000 largest grantmaking foundations. These foundations awarded the most dollars in total giving in the most current fiscal year of record. *The Foundation Directory Part 2* (\$185) lists the next 10,000 largest foundations. The *Foundation Directory Supplement* (\$125) updates the first two directories six months after the first release. Entries are arranged alphabetically by state and include information on giving interests, types of support, and geographic limitations. All of the directories are extensively indexed by geographic location, types of support, name, and subject.

*The Foundation Directory Database*

The Foundation Center's database is a comprehensive listing of entries from the following print publications: *The Foundation Directory*, *The Foundation Directory Part 2*, *The Foundation Directory Supplement*, *The Guide to U.S. Foundations Their Trustees, Officers, and Donors*, *New York State Foundations*, *New and Emerging Foundations*, and the *National Directory of Corporate Giving*. Access to the Foundation Center's database is available online through the Foundation Center website and in a CD-ROM format called *FC Search*. The electronic format allows fast searching by various "fields" such as descriptors (subject) or geographic limitation. The TDH Funding Information Center primarily uses the *FC Search* database to prepare subject lists of foundations and corporations willing to give in Texas. See the Foundation Center website to learn about the online database: <http://fconline.fdncenter.org/>

*Foundation Reporter*

This annual directory is published by the Taft Group and lists only the leading 1,000 (2002 edition) private foundations but provides more detailed information than the *Foundation Directory*. Arranged alphabetically by foundation, additional entry information includes financial data for the past three years, donor information, foundation philosophy, contributions analysis, typical recipients, biographical information on officers and directors, and recent grants. The *Foundation Reporter* also includes 12 indices including several for "Officers and Directors". (\$452)

*The Foundation Grants Index & Database*

If a foundation's giving interests are broad, such as "human services," it is helpful to find out who and what they have funded in the past and how many grants they have actually made in those areas. The Foundation Center's *The Foundation Grants Index* and *The Foundation Grants Index* database fulfill this need by listing grant recipients for the most current reporting period. The 2000 edition of the index will cover over 102,000 grants of \$10,000 or more awarded by over 1,000 of the largest independent, corporate, and community foundations in the United States. The annual print index is supplemented by quarterly listings and is indexed. Detailed information on grants can also be accessed via FC Search: The Foundation Center's Database on CD-ROM. The current grants file contains 243,000 records of at least \$10,000 awarded by the top 1,300 U.S. grantmakers. Grant records in this database include the recipient name and location, grant amount, as well as the name and geographic focus of the grantmaker.

*Prospector's Choice (CD-ROM)*

Several new CD-ROM products have become available that list foundation and grant information. *Prospector's Choice* (\$779), annually available from the TAFT Group, lists information on over 10,000 foundations. The information is derived from several other TAFT publications, including the *Foundation Reporter* and the *Corporate Giving Directory*. This CD-ROM also includes hard-to-find biographical information on the officers and directors of the organizations.

### Foundation Grants to Individuals

This Foundation Center directory lists more than 4,300 foundations that give to individuals. This directory is a good source of information for those looking for foundations that give for educational support (i.e., scholarships, fellowships, loans and research), general welfare support, and arts and cultural support. Like other Foundation Center directories, it is extensively indexed. (\$65)

### National Subject Guides to Foundation Funding

The Foundation Center also publishes several national foundation funding guides on various broad subjects. If your organization or project falls within a guide's broad subject, you can save time by first reviewing these publications. The guides include key information on foundations and corporate giving programs. The TDH Funding Information Center collection includes the *National Guide to Funding in Health* (\$145), and is planning to purchase a new guide *National Guide to Funding in AIDS* (\$115). With the exception of *National Guide to Funding in Health*, all the guides include listings of recent grants.

### Directories of Special Grants

Research Grant Guides, Inc. publishes several directories of foundation, corporation, and federal grants. The *Directory of Building and Equipment Grants* is a research tool listing funding sources for nonprofit organizations seeking renovation, building, and equipment grants. The *Directory of Computer and High Technology Grants* lists computer and software grants for nonprofit organizations. Also available are the *Directory of Grants for Organizations Serving People with Disabilities* and the *Directory of Operating Grants*. The *Directory of Grants for Organizations Serving People with Disabilities* profiles funding sources giving in the subject areas of blindness, deafness, developmental disabilities, the emotionally disturbed, eye research, independent living programs, learning disabilities, mental health, physical disabilities and rehabilitation, and speech impairments. The *Directory of Operating Grants* lists sources of funding for salaries, rent, mortgage payments, utilities, office supplies, and other overhead expenses. All of the directories include articles on fundraising and are available from Research Grant Guides Inc., 12798 W. Forest Hill Blvd., Suite 304, West Palm Beach, FL 33414. (\$69 each).

### Grant Award Guides by Subject

The Foundation Center publishes several guides that list grants awarded by various subjects. Brief information is included on the foundation's funding limitations, such as geographic preferences. The information is derived from the *Foundation Grants Index*. The TDH Funding Information Center is in the process of updating its collection of subject guides. A few of the titles available from the Foundation Center include: *Grants for Minorities*, *Grants for Children and Youth*, *Grants for Women and Girls*, *Grants for the Physically and Mentally Disabled*, *Grants for Mental Health, Addictions, & Crisis Services*, and *Grants for Social Services*. There are 30 different guides. (\$75 each)

### Directory of Texas Foundations

This annual directory lists Texas foundations, both large and small, and is published in November by the Nonprofit Resource Center of Texas in San Antonio. It covers independent, community, and corporate foundations in Texas. The information on small foundations is especially useful because they may not make it into the larger national directories. Like the national directories, most of the information for the Texas directory is obtained directly from the foundations or from their federal income tax forms. Information in the directory is similar to that found in the *Foundation Directory* and includes five indices. (Nonprofit Resource Center of Texas, 7404 US Highway 90 West, PO Box 15070, San Antonio, TX 78212-8270, (210) 227-4333. \$175)

### Directory of Tarrant County Foundations

This directory is prepared by the Funding Information Center of Fort Worth at Texas Christian University and covers all types of foundation activity in Fort Worth and Tarrant County. Like the Dallas County directory, information is obtained from tax returns and questionnaires. The format of the more than 200 entries is also very similar. The most current edition of the directory is due to be out in November 2002 and will include an option to purchase an online version. The title will be changing to *Directory of Grantmakers* and it will cost \$100 for members and \$150 for non-members in print and \$125 for members and \$175 for non-members for the online version. (Funding Information Center of Fort Worth, 329 S. Henderson, Fort Worth, TX 76104, (817) 334-0228.)

### **Foundation Publications**

Once you have narrowed your final list of prospects from the directories, the next step in the research process is examining foundation publications and tax forms.

An increasing number of foundations are publishing annual reports, grant lists, or application guidelines but it is still a small percentage overall. Foundations are not required to provide these publications and many do not because of little or no staff or because they want to limit demand on their resources. Staffed foundations are more likely to offer publications and several of the directories list what publications are available.

When available, the publications of a foundation are extremely useful for determining their philosophy, funding interests, and who they have funded in the past. It is helpful to look at the phrases used in these publications and use their language in your proposal. If application guidelines are available, you should carefully follow the instructions.

The Funding Information Center has compiled a vertical file of information on foundations that give to Texas or nationally. The information varies from glossy annual reports to brief letters saying that they only give to specific organizations. Additional information is continually added to individual "prospect" files from other sources, such as directories, newsletters, etc. The prospect files are available for use by the public and clients outside of Austin may request copies of up to 7 foundation/corporation files. For further information on this service, contact the Texas Department of Health Funding Information Center, 1100 W. 49th Street, Austin, TX 78756-3199, (512) 458-7684.

Several of the Foundation Center's 16 cooperating collections in Texas (*see page 10*) also maintain collections of annual reports, application guidelines, etc.

### **Tax Forms**

With the exception of community foundations, all foundations must annually file a 990-PF federal tax form which must be available to the public. The tax forms can be a goldmine of information for your final list of prospects, especially if a foundation does not publish a detailed annual report. The tax form lists trustees, assets, and grants by name and amount. Most community foundations publish annual reports.

Complete sets of IRS records for all foundations are available for free public use at The Foundation Center's libraries (in New York (212) 620-4230 and Washington, DC (202) 331-1400). Through a partnership with GrantSmart.org, a nonprofit website operated by Canyon Research, the Foundation Center is now offering online access to more than 60,000 990-PFs. You can look at them by going to the following website: <http://fdncenter.org/funders/grantsmart/index.html>

Copies of tax returns may also be obtained from your IRS District Office, (Austin, (800) 829-1040) for a fee. Foundations must make their 990-PFs available for public use in their principal office for 180 days after filing but this may not be the most strategic method of accessing the information.

If you are seeking tax return information on Texas foundations, the task is much easier. The Foundation Center's 16 cooperating collections in Texas (*see page 10*) have copies of tax forms for all Texas foundations. The Texas Attorney General's Charitable Trust Section of the Consumer Protection Division maintains tax returns for the three most current years. For further information on use and copying policies, contact the Charitable Trust Section in Austin at (512) 463-2185.

## **News Media or Periodical Articles**

Your local newspaper may be your best source of information on foundation activity in your area. Organizations receiving foundation grants often send a press release to their newspaper(s) describing the grant and project (a savvy organization also sends a copy of the press release and resulting article to the funding foundation).

There are also several periodicals that the Funding Information Center uses to track foundation activity:

*Advances: The Robert Wood Johnson Foundation.* Free. Robert Wood Johnson Foundation, PO Box 2316, Princeton, NJ 08543-2316.

*Chronicle of Philanthropy.* \$69.50/yr. The Chronicle of Philanthropy, PO Box 1989, Marion, OH 43305, (202) 466-1200.

*Foundation & Corporate Grants Alert.* \$335/yr. Aspen Publishers, PO Box 1453, Alexandria, VA 22313-2053. (800) 638-8437.

*Foundation and Corporate Funding Advantage.* \$240/yr. Progressive Business Publications, 370 Technology Drive, Malvern, PA 19355, (800) 220-5000.

*The NonProfit Times.* \$65/yr. The NonProfit Times, 120 Littleton Rd., Parisippa, NJ 07054-1803, (201) 734-1700.

## **Personal Contacts**

People contacts can be very important, although more foundations are now basing their decisions on the merits of a proposal, rather than the "good old boy (or girl) network." Using board contacts may even offend a foundation's staff, the ones you want most to appease. When using the "who knows who" approach, look to your board, volunteers, clients, and community supporters for links to a foundation. Some of the directories provide biographical information on foundation board members.

Some staffed foundations may be receptive to offering advice over the telephone or through face-to-face meetings. Take advantage of this approach whenever possible. One brief call can determine whether your project or need falls within a foundation's area of interest.

Forming cooperative relationships with other agencies and nonprofit organizations in your area or state offers many benefits to your organization. Although fundraising is a competitive business, your colleagues may be willing to share information on how they successfully identified and won foundation funding. And foundations like to fund coalitions of community organizations just as much as their governmental counterparts. With so many demands on their resources, foundations favor proposals that demonstrate community-wide collaboration and avoid duplication of effort.

One final bit of caution regarding word-of-mouth information . . . it may be unreliable or outdated. Try to verify information before basing your approach on hearsay.

## **Publisher Information for Directories**

*The Foundation Center*  
79 Fifth Avenue  
New York, NY 10003-3076  
(800) 424-9836  
<http://www.fdncenter.org>

*The Taft Group*  
27500 Drake Rd.  
Farmington Hills, MI 48331-3535  
(800) 877-TAFT (8238)



***NEXT MONTH: Corporate Funding  
Research and Internet Addresses  
for Private Sources of Funding***



The centers listed below are members of the Foundation Center's network. They make private foundation information available to the public as well as provide technical assistance for funding research. Their collections will include many funding directories and other items to make funding research easier including *FC Search: The Foundation Center's Database on CD-ROM* and sets of tax returns (IRS Form 990-PF) for the private foundations located in Texas and/or neighboring states. The centers listed below that have the tax returns are denoted with an asterisk \*.

#### NONPROFITRESOURCECENTER

Funding Information Library  
500 N. Chestnut, Suite 1634  
Abilene, TX 79604  
(915)677-8166

#### \*AMARILLO AREA FOUNDATION

Funding Research and Nonprofit Management Library  
700 First National Place, Suite 700  
Amarillo, TX 79101  
(806)376-4521

#### \*HOGG FOUNDATION FOR MENTAL HEALTH

Regional Foundation Library  
3001 Lake Austin Blvd.  
Austin, TX 78703  
(512)471-5041

#### \*BEAUMONT PUBLIC LIBRARY

801 Pearl Street  
Beaumont, TX 77704  
(409)838-6606

#### CORPUS CHRISTI PUBLIC LIBRARY

Funding Information Center  
805 Comanche Street  
Corpus Christi, TX 78401  
(361)880-7000

#### \*DALLAS PUBLIC LIBRARY

Urban Information  
1515 Young St.  
Dallas, TX 75201  
(214)670-1487

#### SOUTHWEST BORDER NONPROFIT RESOURCE CENTER

1201 W. University Dr.  
Edinburg, TX 78539  
(956)384-5920

#### UNIVERSITY OF TEXAS AT EL PASO

Community Non-Profit Grant Library  
500 W. University, Benedict Hall, Room 103  
El Paso, TX 79968  
(915)747-7969

#### \*FUNDING INFORMATION CENTER OF FORT WORTH

329 S. Henderson  
Fort Worth, TX 76104  
(817)334-0228

#### HOUSTON PUBLIC LIBRARY

Bibliographic Information Center  
500 McKinney  
Houston, TX 77002  
(832)393-1313

#### NONPROFIT MANAGEMENT AND VOLUNTEER CENTER

Laredo Public Library  
1120 East Calton Road  
Laredo, TX 78041  
(956)795-2400

#### LONGVIEW PUBLIC LIBRARY

222 W. Cotton St.  
Longview, TX 75601  
(903)237-1352

#### LUBBOCK AREA FOUNDATION, INC.

1655 Main St., Suite 209  
Lubbock, TX 79401  
(806)762-8061

#### \*NONPROFIT RESOURCE CENTER OF TEXAS

7404 Highway 90 West  
San Antonio, TX 78212  
(210)227-4333

#### WACO McLENNAN COUNTY LIBRARY

1717 Austin Ave.  
Waco, TX 76701  
(254)750-5941

#### NONPROFIT MANAGEMENT CENTER OF WICHITA FALLS

2301 Kell Blvd., Suite 218  
Wichita Falls, TX 76308  
(940)322-4961